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STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

H.B. No. 5247 – AN ACT CONCERNING THE AWARD OF COSTS AND ATTORNEY'S FEES IN AN ACTION CONCERNING A HOMEOWNERS INSURANCE POLICY

COMMITTEE ON INSURANCE AND REAL ESTATE

March 11, 2014

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on House Bill No. 5247. PCI is a national property casualty trade association comprised of over 1,000 member companies, representing the broadest cross-section of insurers of any national trade association. PCI member companies write approximately 49 percent of all personal lines insurance sold in Connecticut.

H.B. 5247 would require courts to award costs and attorney's fees to plaintiffs prevailing in actions concerning first party homeowners insurance claims. PCI strongly opposes this legislation because it would likely lead to a barrage of litigation against insurance companies which could add significant costs to homeowners insurance in Connecticut.

If this bill were to pass, consumers who have disputes with their homeowners insurance companies would, instead of continuing discussions with the insurer, availing themselves of the appraisal process or the catastrophe mediation process, if appropriate and/or reaching out to the Insurance Department to seek assistance to resolve the dispute, likely be directed, through aggressive attorney advertising and other means, to an attorney who would likely be eager to sue the insurance company and collect legal fees from the insurer. Under this scenario, instead of having their claim promptly and fairly resolved, the homeowner would have to endure a lengthy litigation process.

Under this bill, there is also no definition of what it would mean for a plaintiff to "prevail" in an action so as to trigger the requirement for the award of costs and attorney's fees. Accordingly, if there is a minor dispute relative to valuation of a loss, if the court finds that the insurer should have paid any additional amount, then the plaintiff may be deemed to have prevailed and the insurance company could be required to pay tens of thousands of dollars in costs and attorney's fees. Accordingly, because insurers would not want to risk having to pay these substantial additional litigation costs, which may amount to significantly more than the amount in dispute, they may end up paying more than is fair and justified on certain claims in order to avoid major litigation costs.

While this bill would be positive for attorneys who would benefit from increased litigation and fees, it is important to remember that attorney's fees would become part of claim costs and Connecticut homeowners may ultimately be the losers in this scenario due to potentially rising insurance costs.

For all of the foregoing reasons, PCI urges the committee NOT to advance this bill.